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# FOREIGN POLICY BULLETIN

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## IS U.S. FULLY AWARE OF IMPLICATIONS OF MARSHALL OFFER?

THE conference for European economic cooperation which opened in Paris on July 12 established, as its first step, a Cooperation Committee composed of the representatives of the sixteen participating nations.\* This committee is to prepare a report concerning European resources and requirements for the next four years, for submission to the United States before September first. To facilitate the work of the Cooperation Committee, the conference created four technical committees—on food and agriculture, fuel and power, iron and steel, and transport. Problems concerning the balance of payments are also to be studied by the Committee. It is provided that the committee shall maintain close relations with the United Nations organization and with its specialized agencies—including, presumably, the UN Economic Commission for Europe, of which the U.S.S.R., absent from Paris by its own choice, is a member.

**THE TWO EUROPE.** The present division of Europe resulting from the absence of Russia and its Eastern European neighbors leaves in the Paris group sixteen nations with a population of 218,875,000, (exclusive of Germany). This area commands resources of coal, iron, and other raw materials with which technically skilled Western Europeans have built the most highly developed industries on the continent, but is relatively poor in foodstuffs. In the Russian sphere, the U.S.S.R. and eight small nations together have a population of 280,410,000, controlling rich resources of wheat and other cereals, as well as industrial raw materials, notably coal in Russia and Poland, oil in Russia and Rumania, and iron in Russia. This area, however, is as yet relatively undeveloped industrially, except for Poland and Czechoslovakia and the industries established by

Russia during the past quarter of a century.

While the Soviet government's decision to remain outside the current drive to unite Europe economically, and to enforce this decision on its neighbors, unquestionably aggravates the division of the continent, it is important to bear in mind that this division long antedated the rise of Communism and Russia's re-emergence as a world power. In 1929 a French economist, Francis Delaisi, in his book *Les Deux Europees*, pointed out, as the title indicates, that the continent was sharply divided into the highly industrialized West and the still backward agrarian East. The fundamental problem of Europe today, as it was before 1914, is to bridge the gap between these two Europes in such a way that the East, through development of its resources by modern methods and training of its vast manpower in industrial skills, can create a higher standard of living for its peoples, who then would offer a larger market for the products of the industrialized West which, for its part, needs the foodstuffs of the East.

**SUPREME TEST FOR U.S. AND U.S.S.R.** The division of Europe presents a supreme test for both Russia and the United States. The Soviet government is trying to substitute for the Marshall plan what is called the Molotov plan of barter trade agreements, the most recent of which was concluded with Czechoslovakia on July 11, on the eve of the Paris conference. Russia's chief problem is that, in spite of the development of its heavy industry, sharply set back by war destruction, it is not in a position at the present time to furnish its agrarian neighbors with the machinery and tools they need if they, in turn, are to become industrialized. At the same time Russia, unlike the highly industrialized German state, which looked upon Eastern Europe and the Balkans as a source of raw materials and a market for manufac-

\*The sixteen nations are Austria, Belgium, Denmark, Eire, France, Britain, Greece, Iceland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Sweden, Switzerland and Turkey.

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tured goods, has a direct interest in the further industrialization of this area, whose manufacturing resources could then supplement its own.

Russia's expressed concern for the independence and sovereignty of its neighbors and its denunciation of American "imperialism" are obviously unconvincing in view of the pressure it exercises upon these small nations. Yet if American aid to the countries of this region had been conditioned on abandonment of economic plans already formulated, for example in Poland and Czechoslovakia, this would have forced basic changes in Russia's economic plans, which at present call for use of its neighbors' resources, especially to obtain consumer goods it urgently needs. It might have also slowed down the industrialization of these agrarian countries. It is significant that statements from Moscow, while castigating the Paris conference, also stress the desire of Russia and of neighboring countries for some form of direct aid from the United States—but aid to be expended according to their own decisions.

**NOT A PLAN—BUT A PROMISE.** Meanwhile, the United States, by suggesting that Europe draw up a balance sheet of its assets and requirements before it could obtain American aid for reconstruction, has created a domestic problem which the Administration has so far been slow to tackle. For, if the European nations, by September first, present a bill of particulars calling for a specific amount of aid from the United States, Congress, and the American people it represents, must be prepared to take quick action on a concrete program. If predictions ventured by some political and business leaders of

diverse views prove to be correct, this program may well involve the expenditure by the United States of several billion dollars a year for several years—perhaps the four years mentioned in the Paris proposals, perhaps more. Nor can this decision await the reconvening in January 1948 of Congress, due to adjourn on July 26. A special session is essential if the hope held out to Europe by Secretary of State Marshall is not to prove illusory.

As yet the so-called Marshall plan is not a plan, but merely a promising approach to a program of aid that would be mutually worked out by the United States and, as events have turned out, the sixteen nations participating in the Paris conference. The job of selling such a program to Congress and to the country remains to be done—although a start was made during the past week in conferences held by Marshall and President Truman with Congressional leaders and in Marshall's speech of July 14 at the conference of Governors in Salt Lake City. But even if Congress should, once it learns the full scope of the impending European crisis, vote the necessary funds, the question will still remain whether the American economy, under current inflationary conditions, and with existing domestic demand for the products of heavy industry, can fulfill Europe's needs adequately at prices which will eventually permit of some form of repayment. Unless the United States comes realistically to grips with these domestic problems, the Marshall plan could prove a boomerang against the ideas of democracy and free enterprise which it is intended to advance.

VERA MICHELES DEAN

## WHAT STATUS WILL PRINCELY STATES ELECT?

By August 15 two new Dominions of the British Commonwealth will arise out of what has been known as British India. For the government in London has acted swiftly in accepting the Indian independence bill to which leading Hindu and Moslem spokesmen in India assent. After June 1948 the Hindu-majority Dominion of India and the Moslem Dominion of Pakistan are free to give up the Commonwealth tie if they wish. But until that date, as Prime Minister Attlee announced on July 10, the last Viceroy, Viscount Mountbatten, will serve as Governor General of India and Mohammed Ali Jinnah, president of the Moslem League will hold a similar post in Pakistan. These appointments themselves are significant—for by such formalities the position of the King-Emperor has been changed to the status of the Crown in Britain, Canada and the other British nations. Jinnah, moreover, is the first non-white to become a Governor General, and the two new Dominions are the first within the Commonwealth (South Africa excepted) where the majority of the population are not of European or

British stock. If in the end the two countries remain in the Commonwealth, it will be crowning evidence of the continued vitality of that institution, and further proof of British political inventiveness.

**A NEW ERA FOR THE PRINCES.** As the Indian relationship of dependence on Britain draws to a close, innumerable new problems rise in the wake of old quarrels. Perhaps the foremost remaining political issue in which Britain will play a direct part is that of the relation between the Indian Princely States and the newly formed Moslem and Hindu nations. The Labor government's June 3 proposals for partition only applied to British India, although the Indian States were urged to join either of the two new Dominions. Otherwise British policy toward the States remains essentially the same as that outlined last year on May 12, 1946. At that time it was announced that the British connection with the Princes in India would cease. The Princes are linked to the Crown by various treaties and by the doctrine of paramountcy, whereby defense and external affairs of the theoretically sovereign Prince-

ly States are directed by Britain.

The 562 Princes rule over principalities that are scattered over the entire sub-continent, ranging in size from a few square miles to areas equal to some of the larger American states. In population the range is equally great, the larger states numbering as high as 16 million. For administrative purposes some of the smaller states are attached to larger groupings, but there are nevertheless about 200 separate legal entities which cover 45 per cent of the entire area of India and account for one-quarter of its 400,000,000 population.

Some of the leading Princes have already indicated that they look upon Britain's proposals as an act to restore their full independence. In legal theory, it should be noted, they have long maintained that the treaty relationship with the Crown was one between two fully sovereign powers, the doctrine of paramountcy notwithstanding. Only Travancore, Kashmir, Bhopal and Hyderabad, however, have publicly expressed themselves in favor of independence. The first, Travancore, is an advanced industrial state at the lower tip of India. Perhaps because of its strategic position it may achieve independence. Kashmir, to the north of Pakistan, is predominantly Moslem, but the Maharaja is Hindu. The reverse is true of Bhopal, where the Moslem Nawab rules over nearly a million Hindus. The Nizam of Hyderabad, reputedly the richest man in the world and one of the staunchest upholders of Islam in the country, heads the largest Princely state. Its 16 million inhabitants are predominantly Hindu, estimates ranging from 80 to 90 per cent.

It is easy to understand why some of the larger States will attempt to gain an independent status—especially where the ruling houses differ on a religious basis with the majority population. Moslem

League spokesmen have taken advantage of this fact, and Jinnah has expressed the opinion that the States may remain free and that Pakistan would be glad to make a settlement with them. Thus far only the Nawab of Tonk and the Wali of Swat have announced their intention of joining Pakistan, however. More of the States whose population is Hindu in origin will doubtless join with India, especially where their geographic position logically dictates this course. Patiala (a Sikh State) and Bikaner (Hindu) have already led a number of the Princes to enter the Constituent Assembly in New Delhi.

Nationalist leaders of the Congress Party have long campaigned against the status of the Princes. Jawaharlal Nehru, who has led the States' Peoples movement in recent years, declared on June 15 that the Indian government at New Delhi would consider it an unfriendly act should any foreign power recognize the independence of the Princes. But fear that Britain would maintain some form of sovereignty over the Princes, even though British India were free, has apparently diminished in view of the larger settlement which has been achieved with the two new Dominions.

**THE ACID TEST.** The Princely States are in the great majority of cases absolute hereditary autocracies. Yet some have well developed systems of ministerial government, and Mysore in southern India is more advanced than any other part of the sub-continent in the development of social services. Its industry, like that of Hyderabad, is also well established. Travancore, Baroda and Cochin stand higher in literacy than any part of British India. But the most critical issue which must be faced by all parties concerned is how rapidly the governments of these territories can be transformed to a basis comparable to the representative political systems in the rest of India. Both Pakistan and India may be expected to move cautiously with respect to the Princes, although in the end it is likely that the lands and peoples of the lesser Maharajas and Nawabs will undoubtedly be drawn into one or another of the new Dominions. Should some of the Princes achieve independence for a time or gain a great degree of autonomy under either Dominion they must immediately begin to modify their regimes. As a minimum step, change from autocratic rule to that of constitutional monarchy will be needed. The tide of social and political reform which has brought British rule to an end in India will not stop at the borders of the Princely domains.

GRANT S. MCCLELLAN

*What are the "E-Organizations" whose war and post-war experience may prove of aid to the conference on European Cooperation? What are the main objectives of Russia's foreign economic policy?*

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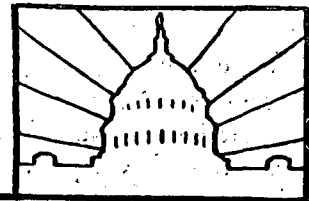
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# Washington News Letter



## ROLE OF NEW DEFENSE AGENCY IN FOREIGN POLICY NOT CLEAR

In approving the National Security Act of 1947, which would unify the federal military departments, the Senate on July 9 prepared the way for a new period in United States military and diplomatic history. The bill would affect foreign policy by establishing a National Security Council, authorized to "advise the President with respect to the integration of foreign and military policies so as to enable the military services and other agencies of the Government to cooperate more effectively in matters involving the national security." Republican and Democratic leaders of the House expect their chamber to follow promptly the lead of the Senate. Action on this bill will conclude a legislative struggle that began in 1944, when the House Military Affairs Committee inquired into the desirability of merging the War and Navy Departments.

**NEW MILITARY ESTABLISHMENT.** The National Security Act would create a National Defense Establishment, to be directed by a Secretary of National Defense. The Establishment would consist of the Departments of the Navy, Army (instead of War), and Air Force, each to be headed by a Secretary with authority to deal directly with the President and each to have a separate identity. The Establishment would also include 1) a War Council of the four military secretaries, the Army and Air Force Chiefs of Staff, and the Chief of Naval Operations, which would advise the Secretary of National Defense on broad military policy; 2) a Munitions Board; and 3) a Research and Development Board.

Part of the military structure outside the Establishment would be a National Security Resources Board, a sort of permanent War Production Board, to be headed by a civilian chairman with a salary of \$15,000 a year, and the National Security Council. The latter would consist of the Secretaries of State, National Defense, Army, Air Force, Navy, the chairman of the National Security Resources Board, and others whom the President might appoint. It would have a staff and an executive secretary who would receive \$12,000 a year. Responsible to it would be a Central Intelligence Agency under a Director of Central Intelligence, whose salary would be \$14,000 a year. The Agency would be the permanent successor of the present temporary Central Intelligence Group.

The Senate accepted the legislation this year after passing it over in 1946 because, in its present modified form, the bill would loosely unify the military departments without merging them into the one

great combine considered, but vigorously opposed, last year. Moreover, the creation in January of the Senate Armed Forces Committee to replace the rival Military Affairs and Naval Affairs Committees simplified the process of considering the bill before the full Senate debated it. Such opposition as now exists is scattered and ineffectual.

**MILITARY POWERS UNDEFINED.** Senator Joseph R. McCarthy, Republican of Wisconsin, objected on May 26 that the bill would "in the next twenty years give to the military complete and absolute dictatorial control over civilian life." Expatiating upon that opinion, Senator Edward V. Robertson, Republican of Wyoming, on July 8 vainly offered amendments in the Senate to reduce the powers of the Secretary of National Defense. "The real intent of this bill," he said, "is to create a vast new military empire, one in which ambitious men will wield greater power over the military establishment than has ever been heretofore granted to non-elected individuals, and one which will wield untrammelled power over the entire social and economic structure of the nation." Rear Admiral Ellis Mark Zacharias, U.S.N. retired, protested against the establishment of an autonomous air force in testimony to the House Committee on Executive Expenditures on June 19. Echoing the die-hard navy sentiment against any sort of union, Fleet Admiral Ernest J. King on May 6 urged the Senate Armed Forces Committee to put aside the plan for a National Defense Establishment in favor of a broadened National Security Council that could coordinate the interests of the armed forces.

**ELASTIC LAW.** To meet objections to the earlier unification bills, Congress is enacting a vaguely worded measure subject to many interpretations. "There is a vast difference of opinion as to just what this Secretary of the National Defense shall do," Senator Raymond E. Baldwin, Republican of Connecticut, said on May 9. "It runs all the way from the view that he is quite a powerful executive official, to the view that he is merely a coordinating agent." The bill, moreover, does not state clearly whether the National Security Council is to make foreign policy or merely to decide on military needs in relation to foreign policy. It remains uncertain whether the Secretary of State is to guide the country's leaders in foreign policy decisions, or be but one voice in an egalitarian foreign policy committee.

BLAIR BOLLES